

April 2023

INDUSTRY UPDATES

Monthly metrics, trends, and key takeaways on the state of the LOGISTICS INDUSTRY to help your business plan for the coming months.

SECTION

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Less Than Truckload

SECTION

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Full Truckload

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International

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Parcel

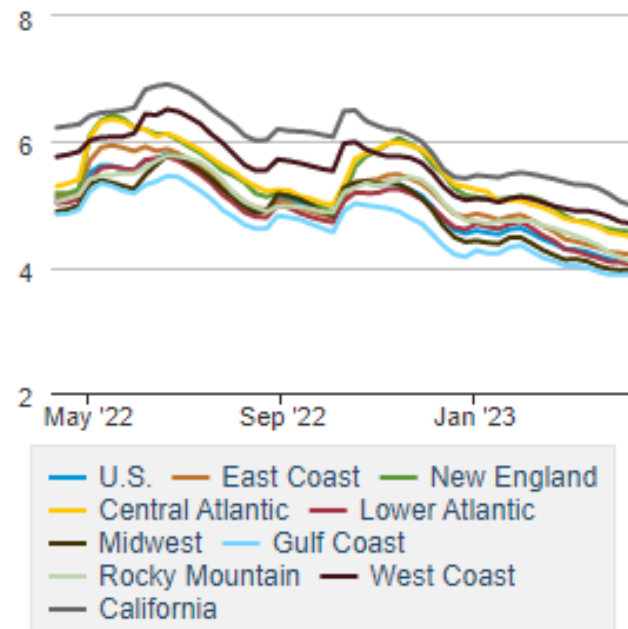
SECTION

05

Warehousing

On-Highway Diesel Fuel Prices

(dollars per gallon)



 Data source: U.S. Energy Information Administration

INDUSTRY UPDATES

LTL

LTL Demand Continues to Soften But Pricing Remains Resilient

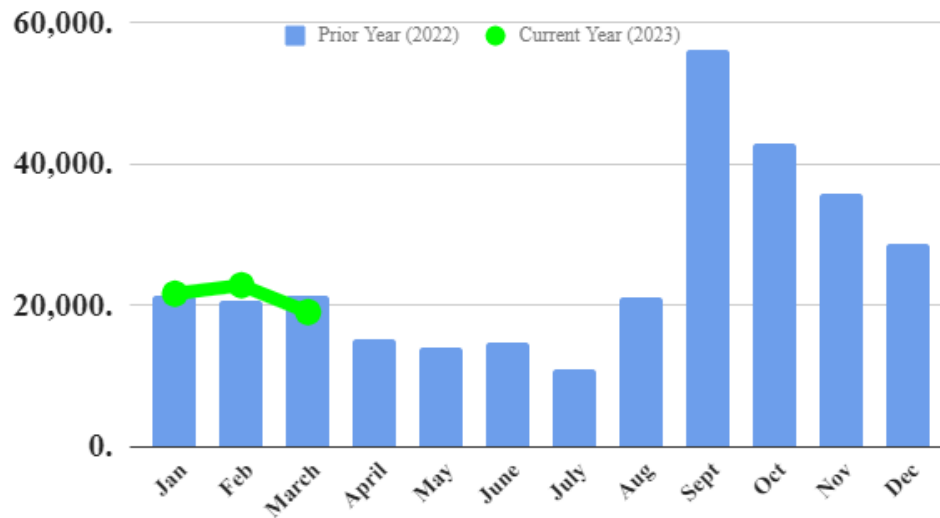
- There has been a considerable increase in the proportion of truckload (TL) freight over the past several months, amid declines in less-than-truckload (LTL) and intermodal volumes. This suggests freight is migrating to TL from other modes, which fits with the robust growth in truckload capacity metrics, which have hardly started to slow at this point.
- Demand has softened in LTL and parcel, leading to some excess capacity, but that doesn't affect pricing as it does in truckload. LTL and parcel carriers need a certain level of excess capacity to keep networks fluid. And the fact that the LTL and parcel sectors are more consolidated makes their pricing more resilient.

Diesel Prices Trending Down

- US Retail Diesel Price is at a current level of \$4.098 (as of 4/10/23), which is slightly lower than the previous week. The cost average is \$0.975 lower than a year ago across the US.



DAT



Source: FTR. Truck OEMs -- Total N.A. Cl. 8 Orders (US/CAN/MEX/EXP)

INDUSTRY UPDATES

FTL

FTL Spot Rates Declined In February

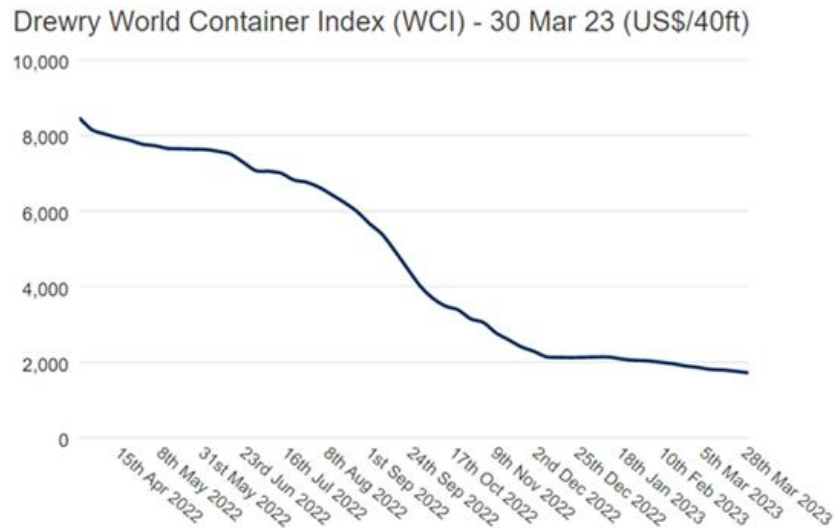
- In March, FTL Van pricing declined slightly from February levels for both spot and contract pricing (note the chart from DAT left). There continues to be a fairly large spread between contract and spot pricing which we would expect to narrow as contract pricing is updated through procurement exercises.
- Across equipment types, over the last few months we have seen slight decreases in dry van and reefer pricing while flatbed pricing has remained stable.

Class 8 Order Consistent With 2022 Levels

- According to FTR (Class 8 Truck Orders — FTR Orders & Indices (ftrintel.com)), Class 8 tractor orders in March were in line with expected tractor replacement orders. It is believed that most all of 2023 build slots have been filled with current orders.

Commercial Vehicle Safety Alliance Week Is May 16-18

- The intent of the event is to promote safety among commercial vehicle traffic. During these Road Check weeks, we commonly see capacity tighten temporarily across the market. Leading up to that week, we recommend shippers provide at least 48 hours notice on shipment needs.



INDUSTRY UPDATES

International

US Imports Continue to Decline

- As US import demand continues to wane, ocean carriers plan to cancel almost 50 voyages that were scheduled to depart from Chinese ports now through the end April, amounting to as much as 443,000 TEU in trans-Pacific capacity that will be blanked, according to data from container shipping analyst (JOC)

Ocean Carrier Unleash GRIs

- Ocean carriers are preparing to unleash a barrage of GRIs this spring, in order to shore-up freight rates ahead of the peak season, and Hapag has led the charge with a shock \$1,000 per 40ft increase on shipments from Asia to the US from 1 May (Loadstar)

Court of International Trade Decision Made

- The long-awaited decision by the Court of International Trade was not the outcome thousands of importer companies were hoping for. On March 17, 2023, the CIT determined that the USTR legally followed Section 307 of the Trade Act of 1974 and the Administrative Procedure Act when the List 3 and List 4A Section 301 China tariffs were put into effect (Braumiller)

Intermittent Strikes Begin At Port Of LALB

- Workers returned to work on Saturday after two days of intermittent strikes at the ports of LALB. Unions have not agreed new pay terms since an old contract ran out on July 1 last year, making shippers uneasy about the prospects for industrial action (Splash 24/7)
- Unionized longshore workers at the ports of LALB staged another job action that delayed the opening of cargo terminals on Monday (4/17/23) (JOC)

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International

Air Cargo Volumes Continue To Decline

- Air cargo analyst World ACD in its weekly update wrote that global air freight capacity was up 15 percent in March year over year, with double-digit percentage increases across all regions (JOC)
- That has dragged rates down from the record levels recorded at the end of 2021 and in early 2022 despite the effects of higher fuel surcharges. But prices remain far above pre-pandemic 2019 levels.
- Trans-Pacific rates are down 30% YoY, but almost 40% above those recorded in March 2019, according to the Baltic Air Index (BAI)





Parcel

FedEx Consolidates Air, Ground Parcel and Services Into 'One FedEx'

- This effort will improve the efficiency with which FedEx picks up, transports, and delivers packages.
- The cost-reduction efforts are estimated at \$2 billion by FY2027.
- Consolidating these efforts will be great news to shippers utilizing FedEx and currently having multiple pickups for Ground and Express.

OnTrac, Lasership Is Rebranded To 'OnTrac' Name

- LaserShip acquired OnTrac in late 2021 and had been operating as Lasership-OnTrac.
- The company offers coast-to-coast deliveries with operations in 31 states after announcing plans to start operations in Texas in July of this year.
- The biggest hurdle right now will be pricing, as UPS & FedEx are offering aggressive pricing with opening capacity, and these discounts are partly dependent on the volume provided.

National UPS Labor Negotiations Will Kick Off April 17th.

- We expected the national negotiations to move slowly, as it does not benefit the leadership of the Teamsters to have a speedy process. Don't be surprised if the portrayal of negotiation progress gets worse in news reports before it gets better.
- We have not seen any indication yet of UPS freezing pricing or being unwilling to negotiate for current shippers. We will keep our customers informed as more information arises.

INDUSTRY UPDATES

Warehousing

Direct-To-Consumer Sales Continue to Grow

- As Q2 begins, Direct-to-Consumer continues to grow for Distribution Centers across the nation. Consumers are familiar with how COVID-19 disrupted the supply chain in the past creating delays and shortages worldwide. Experts are predicting that companies will be more proactive in their approach to their logistics. This can mean alternative product ingredients, new packaging, or more efficient distributors (geographic and technology).
- The alternative solution companies are utilizing is selling their products through online retailers like Amazon. eShipping Distribution Services has the technology to support both direct fulfillment and retail compliance. This has also created an opportunity for new and existing customers to approach their business with different solutions while maintaining low inventory levels shared across both channels from our distribution centers.

